U.S. Faster Payments Barometer

A survey of industry views on faster payments advancements

Fall 2019
SURVEY METHODOLOGY
Annual quantitative survey methodology

• Designed as a longitudinal study -- anchor questions year over year + new questions annually

• Wide distribution -- Glenbrook, FPC and FPC-Member organizations; active social media campaigns including a Payments on Fire® podcast by Glenbrook and the FPC

• 735 total respondents with 533 respondents @100% completion

• Broad coverage across industry stakeholder groups
  - Financial Institutions (FIs)
  - Core Processors
  - Payment Network Operators
  - Business end users (corporates, billers, businesses, merchants/retailers)
  - Facilitators / intermediaries (merchant acquiring processor, fintech, independent software vendor, software solution provider)
  - Industry consortia / associations
  - Consultants and others
Survey topics covered

Year 1 Topics Included

• Demographic data
• Faster Payments Today
• Market Adoption
• Use Cases
• Interoperability
• Risk and Fraud
• Directory Services

Potential Year 2 Topics

In addition to some of the topics included in Year 1, we will add:

• Economics
• Interbank Settlement
• 3rd Party Overlays
• Cross-Border

All personal respondent data is kept confidential
Survey attracted participation across the value chain

How would you describe the organization that you work for?

- FI: 27%
- Core: 2%
- Network: 11%
- Business: 14%
- Facilitator: 20%
- Association: 5%
- Consultant: 14%
- Other: 7%

Majority of respondents (86%) noted that the U.S. market is part of primary job responsibilities.

n = 735
SURVEY RESULTS

- **Organizational Perspective** - faster payments in today’s environment
- **Industry Perspective** - most desired functionality and views on resolving thorny topics
Organizational Perspectives
48% of total respondents claim to be early adopters and of those, the majority are providers of infrastructure. Others preferred more of a “wait and see” / “fast follower” approach.

Please rate the extent to which you agree or disagree with the following statement: My organization is an early adopter of faster payments.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total (n = 615)</th>
<th>Network (n = 62)</th>
<th>Facilitator (n = 131)</th>
<th>Core (n = 13)</th>
<th>FI (n = 164)</th>
<th>Association (n = 33)</th>
<th>Business (n = 86)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20%</td>
<td>15%</td>
<td>18%</td>
<td>23%</td>
<td>28%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Agree</td>
<td>28%</td>
<td>66%</td>
<td>46%</td>
<td>38%</td>
<td>22%</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Note: Glenbrook highlighted specific segments where there were significant differences.
Rails exist, but “the lack of adoption by end-parties means that there isn't ubiquity”…

What faster payments system(s) does your organization use/enable today in the U.S. market? Select all that apply.

- Same Day ACH: 55%
- Digital wallets (e.g. Venmo, PayPal, Google Pay): 45%
- Zelle: 27%
- Visa Direct: 23%
- Mastercard Send: 19%
- The Clearing House RTP: 18%
- Other: 9%
- Do not use any of the above: 12%

n = 533
... However, given the number of existing payments systems in the U.S. it is unlikely that one system will meet all needs.

What faster payments system(s) does your organization use/enable today in the U.S. market? Select all that apply.

- Same Day ACH: 78% (FI), 46% (Business)
- Digital wallets (e.g. Venmo, PayPal, Google Pay): 48% (FI), 59% (Business)
- Zelle: 43% (FI), 5% (Business)
- Visa Direct: 31% (FI), 5% (Business)
- The Clearing House RTP: 26% (FI), 10% (Business)
- Mastercard Send: 21% (FI), 4% (Business)
- Other: 9% (FI), 2% (Business)
- Do not use any of the above: 0% (FI), 21% (Business)

Note: Glenbrook highlighted specific segments where there were significant differences.
Strong interest in diverse use cases solving “every day” pain points

Results show that faster payments seen as way to improve payment system usability

For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.

- Bill payment: 59%
- Person-to-person payments: 53%
- eCommerce: 47%
- Invoicing / supplier payments: 44%
- Transfers between accounts at different FIs: 44%
- Merchant settlement: 39%
- Payroll / income: 39%
- Point of sale (POS) commerce: 35%
- Payouts: 30%
- Treasury management: 29%
- Refunds: 23%
- Loan disbursements: 22%
- Emergency aid / disaster relief: 17%
- Rebates: 15%
- Immediate investment: 14%
- Social benefits / taxes: 13%
- Other: 3%

n = 548
Yet FIs and businesses **intend** to solve different end-user needs.

Faster payments help solve multiple problems.

For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Top 3 FI (n = 150)</th>
<th>Top 3 Business (n = 81)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person-to-person payments</td>
<td>75%</td>
<td>65%</td>
</tr>
<tr>
<td>Bill payment</td>
<td>68%</td>
<td>48%</td>
</tr>
<tr>
<td>Transfers between accounts at different FIs</td>
<td>60%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Note: Glenbrook highlighted specific segments where there were significant differences.
Lack of ubiquity/interoperability is the leading challenge
High cost to enter a fragmented market identified as a key concern

Which of the following challenges to faster payments adoption are most relevant for your organization? Select up to three.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing faster payments systems have not yet reached ubiquity and do not interoperate with one another</td>
<td>53%</td>
</tr>
<tr>
<td>High upfront costs and complexity to implement (resources, operational changes, staffing, etc.)</td>
<td>48%</td>
</tr>
<tr>
<td>Lack of common rules and standards</td>
<td>35%</td>
</tr>
<tr>
<td>Insufficient readiness to manage risks in real-time payments / operating environment</td>
<td>30%</td>
</tr>
<tr>
<td>Insufficient organizational buy-in / business justification / lack of end user demand</td>
<td>26%</td>
</tr>
<tr>
<td>Not supported by my core bank processor / facilitator / intermediary</td>
<td>25%</td>
</tr>
<tr>
<td>Lack of educational materials on faster payments options</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

Uncertainty around use case adoption

n = 548

*Some results in this chart were incorrectly represented at the FPC Member Meeting Oct 22, 2019 and have since been corrected.
Majority of respondents are not sufficiently prepared for faster payments risks …

Businesses expressed even more concern about risk than FIs

Please rate the extent to which you feel your organization is prepared to handle risks associated with faster payments (e.g. credit risks, liquidity risks, operational risks, etc.).

- **FI (n = 145)**
  - Very prepared: 17%
  - Somewhat prepared: 58%
  - Not prepared: 19%
  - I'm not sure: 6%

- **Business (n = 78)**
  - Very prepared: 13%
  - Somewhat prepared: 36%
  - Not prepared: 37%
  - I'm not sure: 14%

- **Total (n = 533)**
  - Very prepared: 21%
  - Somewhat prepared: 44%
  - Not prepared: 23%
  - I'm not sure: 11%
... and concern about specific types of fraud is significant across all segments of responders

What type(s) of fraud concern you the most in faster payments? Select all that apply.

- Account takeover: 72%
- Identity / application: 64%
- Transaction (e.g. invoice): 59%
- Money mule network: 31%

n = 533
Industry Perspectives
Strong agreement on fundamental attributes with a linear decline in support for other key features

U.S. preferences vary from global standard of faster payment systems

In your opinion, which of the following attributes should define faster payments? Select all that apply.

85% Immediate funds availability to beneficiary
84% 24x7x365 availability
80% Instant confirmation to sender and receiver
65% Certainty of funds / good funds
64% Real-time inter-bank settlement
59% Immediate account validation
58% Credit push transfer
43% Rich data / messaging
40% Irrevocability / payment finality
35% Debit pull transfer
33% Request for payment
29% Directory / addressing service
5% Other

n = 678
However, top 3 attributes clearly align with existing faster payments systems around the world

In your opinion, which of the following attributes should define faster payments? Select all that apply.

- Immediate funds availability to beneficiary (85%)
- 24x7x365 availability (84%)
- Instant confirmation to sender and receiver (80%)

And more importantly, align across all respondent stakeholder groups

n = 678
The big surprise is that credit push transfer (58%) is viewed as less important than other features.

And the response is fairly consistent across all stakeholder groups.

In your opinion, which of the following attributes should define faster payments? Select all that apply.

- Certainty of good funds
- Real-time inter-bank settlement
- Immediate account validation
- Credit push transfer

FIs and businesses align on certainty of good funds and immediate account validation.

Businesses see real-time inter-bank settlement as a core attribute (71%).
Unlike faster payments systems around the world, irrevocability is not one of the most defining attributes, across all stakeholder groups. In fact, that all these attributes are in the lower half is somewhat surprising.

In your opinion, which of the following attributes should define faster payments? Select all that apply.

- Rich data/messaging: 43%
- Irrevocability/payment finality: 40%
- Debit pull transfer: 35%
- Request for payment: 33%
- Directory/addressing service: 29%
- Other: 5%

Interoperability and dispute resolution were the most cited in “other” category.

n = 678
Respondents favor multiple directories interoperating with each other to achieve payment addressing needs. Global experience is varied and therefore no one model prevails.

Which model is preferable for a directory / addressing service?

- 42% Each faster payments system has its own directory that does interoperate
- 34% A single, shared utility
- 3% Each faster payments system has its own directory that does not interoperate
- 21% I'm not sure

n = 533
Overwhelming support for a dispute resolution capability within the payment system

Another way that U.S. preferences vary from global standard of faster payment systems

**Should dispute resolution be an inherent feature of a faster payments system?**

- Yes, end users should be able to dispute a transaction through the faster payments system (i.e. through their financial institution or payment provider) - 73%
- No, end users should dispute the transaction directly with the receiver (i.e. outside of the faster payments system) - 17%
- I’m not sure - 10%

n = 533
“Interoperability must be a priority”
Finding is a resounding wake-up call to industry

How important is it to achieve interoperability across compatible faster payments systems in the U.S. market?

- Very important: 78%
- Somewhat important: 17%
- Not important: 3%
- I'm not sure: 2%

n = 548
No consensus on the how of interoperability but a strong preference for making it happen quickly
U.S. market likely to continue as a distributed clearing model

What is the best way to achieve interoperability among faster payments systems?

- Intermediaries: 26%
- Central switch: 21%
- Network operators: 34%
- I'm not sure: 19%

Half of respondents (49%) thought interoperability should be attained in 1-4 years with 22% opting for “as soon as FedNow is implemented”

n = 506 (asked only to respondents who selected “Very important” or “Somewhat important” for Q17)
“It will take a village for adoption - all parties need to come to the table, and not rely on just one entity.”

Which type of entity do you think should be the lead catalyst in fostering market adoption of faster payments?

- Payment network operators: 47%
- Financial institutions: 22%
- Industry consortiums / organizations: 25%
- Other: 6%

n = 548
General agreement that U.S. is gaining momentum...

Thinking about the process of implementing faster payments on a national scale in the U.S., at what point do you think we are currently in this journey?

- **At the very beginning**: 39%
- **Halfway there**: 9%
- **Getting very close**: 2%
- **Ideal state reached**: 0%

n = 533
... and strong agreement that U.S. should be doing more to achieve faster payments adoption

“lack of standards” … “fragmentation”… “no guarantee of interoperability”

In your opinion, is the U.S. making satisfactory progress toward faster payments adoption?

- Yes: 41%
- No: 59%

n = 533
SO, what are the big takeaways?

A fragmented option-rich market creates end user confusion and a barrier to ubiquity

- “One size fits all” solution not likely to satisfy varied use cases for end-users
- Strong consensus on the need for dispute resolution
- A few key issues lack alignment and requires industry attention
  - Optimal directory / addressing model
  - Key features such as rich data and request for payment
- Major call-to-action for the industry “writ large” to enable interoperability, sooner rather than later

Please note that the word cloud was generated from respondent write-ins across all survey questions.
Thank You

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